EXHIBIT R

Mr. 5. E. White Vice-President and Actuary

Re Preliminary Recommendation -- 1991 Dividend Scales

Based on the analyses that we have completed thus far, our preliminary recommendation with respect to the 1951 Dividend

- (1) Restructure Ordinary scales to be the reflect the pattern and incidence of dividents that he had intended to implement in the 1970 scales before "last minute" pegging. This vill reduce 1991 payable dividends by 500 million (1.5) from \$1243 million to \$1225 million. However, the resuction is concentrated in the most ledent plocified.
- (2) Maintain Industrial Cividends of an expresse level of about 571 million but retained expense charges and interest credits there accurately reflect our emerging experience. We now have the systems capability to implement Industrial dividends using the same theory and processes that we use for

These changes will menetal an 11a Office improvement in 12 earnings relative to at theoluga scale continuation; and they will survey the plant end equity refinements that we had initiated her year.

Because the createst expected scale reduction will occur in the racent clocks and an approximens) I anticipate a significant expression of macern from our Marketing associates. Forticately there is time to minimize the perfected competitive inter through careful control over the specific incidence of thiridual dividends.

We are can't convinced that some reduction is necessary to maintain an opposite level of long term profitability. If the eventual companion is to maintain the present level of dividends on the ecent business, we recommend serious consideration of loss recognition through reserve strengthening and/or "write-off" of DAC.

Michael Levine

June 7, 1990

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Notice: "Production and Use Sugrest to Case Management and Profession Orders to MOUNG 1911, United States Ord. Co.

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Production and Use Subject to Case Management and Prosective Orders of MDL No. 1091 United States Disc. Ct. **